

HIGHLAND-CROW RESOURCES LTD.

Pete

**Annual Report
1979**

HIGHLAND-CROW RESOURCES LTD.

(formerly HIGHLAND MERCURY MINES LIMITED)

(Incorporated under the laws of the Province of British Columbia)

Authorized Capital:

5,000,000 shares without par value

DIRECTORS

W.R. BERGEY	West Vancouver, B.C.
B.O. BRYNELSEN	Vancouver, B.C.
SIR MICHAEL BUTLER, Bt. Q.C.	Victoria, B.C.
R.W. FALKINS	West Vancouver, B.C.
J.C. FRANTZ	North Vancouver, B.C.
R.E. HALLBAUER	West Vancouver, B.C.
J.D. LEISHMAN	West Vancouver, B.C.
J.L. MAY	North Vancouver, B.C.

OFFICERS

J.D. LEISHMAN	President
L.J. HICKS	Secretary
G.R. SHIPLEY	Treasurer
M. HEAP	Controller

AUDITORS

COOPERS & LYBRAND

SOLICITORS

BUTLER, ANGUS	Victoria, B.C.
FARRIS, VAUGHAN, WILLS & MURPHY	Vancouver, B.C.

TRANSFER AGENTS

THE CANADA TRUST COMPANY	Vancouver, B.C. and Toronto, Ont.
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REGISTERED OFFICE

1199 WEST HASTINGS STREET, VANCOUVER, B.C., V6E 2K5

ANNUAL GENERAL MEETING

The Annual General Meeting of the Shareholders will be held on Monday, March 31, 1980 in the Kamloops Room at the Holiday Inn, 1133 West Hastings Street, Vancouver, B.C. at 11:00 o'clock in the morning (Pacific Standard Time).

HIGHLAND-CROW RESOURCES LTD.

TO THE SHAREHOLDERS

During 1979, your company maintained an active exploration outlook, and has interests in a number of properties which offer potential for future development.

A syndicate in which Highland-Crow has a one-third interest carried out a substantial exploration program for tungsten in the Yukon and Northwest Territories. Two properties of special interest will be trenched or drilled during the next field season, and a third area will be prospected in detail. A budget of approximately \$300,000 is ear-marked for this program, of which Highland-Crow's share will be one-third.

On the company's Cariboo-Bell property, metallurgical testing is being carried out on samples from six drill holes put down for this purpose in November 1979. The estimated mineral inventory (mineable by open-pit methods) is thirty million tons grading 0.5% copper, 0.025 oz/ton gold, and 0.08 oz/ton silver. Future exploration and development will depend on the results of the metallurgical work.

Highland-Crow has a six percent interest in an oil well in the West Pembina area of Alberta. Hydraulic fracturing of a pay zone in the Cadomin formation was successful, and a tank battery is now being installed. Highland-Crow's interest will reduce to three percent after its costs are recovered.

Since year-end, the company participated in an exploration well in the north-west McMullin Ranch prospect in San Joaquin County, California. This was dry and abandoned.

Highland-Crow will participate in four exploratory gas wells in California in 1980, in which it will have a four percent working interest:

- a) The West Galt prospect in the Sacramento Valley of California is located approximately nine miles west of the town of Galt. One well will be drilled to 4,500'.
- b) The Rindge Tract prospect in the Sacramento Valley is approximately two miles north-west of the city of Stockton. The target depth here is at 8,500'.

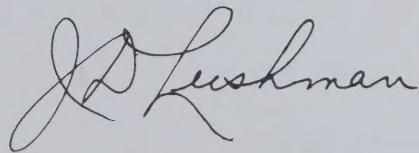
- c) On the Reclamation District 108 prospect in the Sacramento Valley, five miles north of Zamora, two test wells will be drilled to 5,500'.

Highland-Crow has optioned its Pickle Crow property to Gallant Gold Mines Ltd. A large program is planned for this coming summer looking for large low-grade gold deposits as well as exploring for high-grade veins. Gallant Gold Mines commits to spending \$400,000 on exploration by December 31, 1982. On completion of all commitments and if the property is placed into production, your company retains a 3% net smelter returns and a 5% net proceeds interest, and has the right to convert the 5% net proceeds to 20% participating interest.

The property near Bourlamaque in Quebec previously held by Beacon Mines has been optioned to D'Or Val Mines Limited. A minimum of three holes to a depth of 1,000' will be drilled to test for copper-zinc deposits similar to those found on the Louvem Mines property which adjoins to the east. Your company retains a twenty percent net profits interest or four percent net smelter returns, whichever is the greater, and will receive cash payments totalling \$107,500 if the option agreement is fully exercised.

Highland-Crow has maintained a healthy financial position with working capital of \$1,222,354.

On behalf of the Board,



J.D. Leishman
President

February 14th, 1980

COOPERS & LYBRAND

CHARTERED ACCOUNTANTS

OFFICES THROUGHOUT CANADA
AND IN PRINCIPAL AREAS
OF THE WORLD

MAILING ADDRESS

P.O. BOX 11128, ROYAL CENTRE
1055 WEST GEORGIA STREET
VANCOUVER, BRITISH COLUMBIA, CANADA V6E 3R2

TELEPHONE (604) 682-7821
28TH FLOOR, THE ROYAL BANK OFFICE TOWER
1055 WEST GEORGIA STREET
VANCOUVER, BRITISH COLUMBIA, CANADA
V6E 3R2

CABLE ADDRESS: COLYBRAND, VANCOUVER, B.C.
TELEX: 04-507630

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Highland-Crow Resources Ltd. as at September 30, 1979 and the consolidated statements of earnings and deficit, changes in financial position and deferred exploration and development costs for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at September 30, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

Vancouver, B.C.
November 9, 1979

CHARTERED ACCOUNTANTS

HIGHLAND-CROW RESOURCES LTD.

CONSOLIDATED BALANCE SHEET AS AT SEPTEMBER 30, 1979

A S S E T S

	1979	1978
	\$	\$
CURRENT ASSETS		
Cash	27,346	1,320
Accounts receivable	40,311	8,343
Short-term investments and accrued interest	<u>1,184,494</u>	<u>116,483</u>
	1,252,151	126,146
INVESTMENTS AND INTERESTS IN JOINT VENTURES (note 2)	304,531	502,054
PETROLEUM PROPERTIES - at cost less accumulated amortization of \$15,318 (1978 - \$6,870)	167,877	176,325
NON-PRODUCING PETROLEUM PROPERTIES	57,265	
MINERAL PROPERTIES (note 3)	1,237,287	1,237,287
DEFERRED EXPLORATION AND DEVELOPMENT COSTS	248,077	237,907
INCORPORATION COSTS	<u>1,224</u>	<u>1,224</u>
	<u>3,268,412</u>	<u>2,280,943</u>

L I A B I L I T I E S

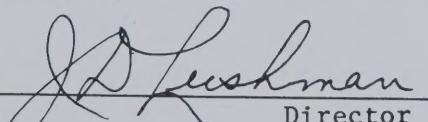
CURRENT LIABILITY

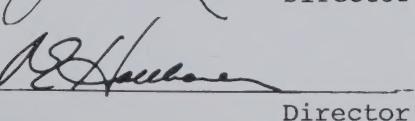
Accounts payable	29,797	31,974
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARY	13,344	13,485
DEFERRED INCOME TAXES	<u>151,000</u>	<u> </u>
	<u>194,141</u>	<u>45,459</u>

S H A R E H O L D E R S' E Q U I T Y

CAPITAL STOCK (note 4)	3,159,881	2,775,209
DEFICIT	<u>85,610</u>	<u>539,725</u>
	<u>3,074,271</u>	<u>2,235,484</u>
	<u>3,268,412</u>	<u>2,280,943</u>

APPROVED BY THE DIRECTORS


J.D. Lushman
Director


R.H. Harlow
Director

HIGHLAND-CROW RESOURCES LTD.

CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT

FOR THE YEAR ENDED SEPTEMBER 30, 1979

	1979	1978
	\$	\$
REVENUE		
Income from petroleum properties	17,617	12,823
Dividends	10,300	16,521
Interest and other income	<u>96,904</u>	<u>13,787</u>
	<u>124,821</u>	<u>43,131</u>
EXPENSE		
Administration and general	58,969	46,306
Exploration costs written off	11,226	13,137
Amortization of petroleum properties	<u>8,448</u>	<u>6,870</u>
	<u>78,643</u>	<u>66,313</u>
EARNINGS (LOSS) BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	46,178	(23,182)
PROVISION FOR DEFERRED INCOME TAXES	<u>17,000</u>	<u> </u>
NET EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEMS	29,178	(23,182)
EXTRAORDINARY ITEMS		
Gain on sale of investment, net of taxes	418,937	
Recovery of income taxes on application of prior years' losses	<u>6,000</u>	<u> </u>
NET EARNINGS (LOSS) FOR THE YEAR	454,115	(23,182)
DEFICIT - BEGINNING OF YEAR	<u>539,725</u>	<u>516,543</u>
DEFICIT - END OF YEAR	<u>85,610</u>	<u>539,725</u>
EARNINGS (LOSS) PER SHARE		
Before extraordinary items	1¢	(1¢)
After extraordinary items	20¢	(1¢)

HIGHLAND-CROW RESOURCES LTD.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 1979

	1979	1978
	\$	\$
SOURCE OF WORKING CAPITAL		
From operations	54,626	
Issue of shares	384,672	
Sale of investments	<u>932,853</u>	
	<u>1,372,151</u>	
USE OF WORKING CAPITAL		
For operations		16,312
Petroleum properties	57,265	
Exploration and development costs	10,170	3,077
Interest in Harman Syndicate	2,456	677
Interest in Cub Joint Venture	174,078	91,853
Mineral properties		12
	<u>243,969</u>	<u>111,931</u>
INCREASE (DECREASE) IN WORKING CAPITAL	1,128,182	(111,931)
WORKING CAPITAL - BEGINNING OF YEAR	<u>94,172</u>	<u>206,103</u>
WORKING CAPITAL - END OF YEAR	<u>1,222,354</u>	<u>94,172</u>

REPRESENTED BY:

Current assets	1,252,151	126,146
Current liabilities	<u>29,797</u>	<u>31,974</u>
	<u>1,222,354</u>	<u>94,172</u>

HIGHLAND-CROW RESOURCES LTD.

CONSOLIDATED STATEMENT OF DEFERRED EXPLORATION AND DEVELOPMENT COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 1979

	Balance September 30, 1978 \$	Exploration and Development \$	Balance September 30, 1979 \$
Cin claim group	161,024		161,024
Cariboo-Bell group	<u>76,883</u>	<u>10,170</u>	<u>87,053</u>
	<u>237,907</u>	<u>10,170</u>	<u>248,077</u>

HIGHLAND-CROW RESOURCES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 1979

1. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The financial statements include the accounts of the company and its subsidiary, Pickfields Mines Limited.

Interests in joint ventures

Interests in joint ventures are for explorations and are carried at cost. They do not necessarily reflect present or future values.

Petroleum properties

The company capitalizes lease acquisition costs and drilling and development expenditures of petroleum properties. Depletion of these costs and depreciation of related production equipment are provided on a unit of production method, based on estimated recoverable reserves.

Mineral properties and deferred costs

Mineral properties and deferred costs are carried at cost and do not necessarily reflect present or future values.

Mineral exploration costs are charged to current operations in the year in which they are incurred, except where these costs relate to specific areas having indicated economic potential, in which case they are deferred. The deferred costs will be amortized over the life of the orebody following commencement of production, or written off if the property is sold or abandoned.

2. INVESTMENTS AND INTERESTS IN JOINT VENTURES

INVESTMENTS	Quoted market value		Cost	
	1979	1978	1979	1978
	\$	\$	\$	\$
Marketable securities	35,100	682,272	7,578	356,294
Other			1	25,342
INTERESTS IN JOINT VENTURES				
Harman Syndicate			31,021	28,565
Cub			265,931	91,853
			304,531	502,054

HIGHLAND-CROW RESOURCES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 1979

2. INVESTMENTS AND INTERESTS IN JOINT VENTURES (continued)

(a) Harman Syndicate

The company has a 16.5% interest in an exploration and development syndicate to carry out a programme in the Yukon and Northwest Territories.

(b) Cub

The company has a 33-1/3% interest in a prospecting joint venture to carry out an exploration programme in the Yukon Territory. The joint venture is to terminate March 31, 1980; however provision exists whereby one or more of the participants may extend the joint venture, whilst any participant dropping out will forfeit its interest in the mineral properties to the remaining participants.

3. MINERAL PROPERTIES

The company owns the following:

	1979	1978
	\$	\$
Mineral claims and leases - at cost or nominal value		
Cariboo-Bell Group, B.C.	296,864	296,864
Cin Group, B.C.	374,998	374,998
Concession 356 Group, Quebec	99,754	99,754
Coppermine Group, N.W.T.	30,220	30,220
Miscellaneous, U.S.A.	12	12
Ore Group, Yukon	1	1
Peso Group, N.W.T.	<u>1</u>	<u>1</u>
	801,850	801,850
Other mineral properties - at cost		
Mine patents under long-term lease, Ontario		
8 development licenses, Quebec		
A 4% working interest in 40 mineral claims, B.C.		
An 8.3% carried interest in 19 mineral claims, Quebec	<u>435,437</u>	<u>435,437</u>
	<u>1,237,287</u>	<u>1,237,287</u>

HIGHLAND-CROW RESOURCES LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 1979

3. MINERAL PROPERTIES (continued)

On January 14, 1971 the company entered into an agreement with Cominco Ltd. whereby further exploration and development of the Cin group's mineral claims was to be carried out and financed by Cominco up to a maximum expenditure of \$100,000 covering approximately a three year period ended December 1, 1973. The expenditure requirements were met for the first two years, but Cominco did not proceed with development and exploration work to the end of the third year. Amendments to the agreement have been made whereby the remaining requirements have been deferred, but Cominco has undertaken to maintain the claims in good standing until November 1979. Provision is also made whereby Cominco may resume its activities or, on one year's notice, terminate the agreement.

4. CAPITAL STOCK

Authorized -

5,000,000 common shares without nominal or par value

Issued and fully paid -

	1979	1978
	\$	\$
2,412,609 shares	<u>3,159,881</u>	<u>2,775,209</u>

During the year 350,000 shares were issued for net cash consideration of \$384,672.

5. INCOME TAXES

At September 30, 1979 the company has approximately \$3,600,000 of exploration and development costs which can be carried forward to reduce income for tax purposes in future years. Of this total approximately \$1,500,000 is restricted, to be applied only against income from properties acquired from predecessor companies.

6. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

No remuneration was paid to directors and senior officers during the year ended September 30, 1979, (1978 - nil).

